



The Flip Side of Organized Decentralization Company-Level Bargaining in Denmark

Ilse, Anna

Published in:
British Journal of Industrial Relations

Publication date:
2012

Document version
Peer reviewed version

Citation for published version (APA):
Ilse, A. (2012). The Flip Side of Organized Decentralization: Company-Level Bargaining in Denmark. *British Journal of Industrial Relations*, 50(4), 760-781.

The flip side of organised decentralisation: Company-level bargaining in Denmark

Author: Anna Ilsøe

Abstract

The Danish collective bargaining system is often considered a good example of organised decentralisation. It has been characterised as a centralised decentralisation suggesting a reproduction of sector-level bargaining relations at company level. A recent survey on company-level bargaining in the Danish industrial sector confirms this hypothesis with regard to the experiences of local managers and shop stewards. However, part of the survey also questions whether the reproduction will continue in the future. Small and medium-sized enterprises and their employees tend to miss out on the mutual benefits obtained through company-level agreements. Furthermore, shop stewards often find it difficult to gain employee support during negotiations, which jeopardises their bargaining relations with management.

Acknowledgements

I would like to thank Jørgen Steen Madsen and Jesper Due for their constructive critique and helpful comments during the writing process as well as Trine Pernille Larsen, Mikkel Mailand and Christian Lyhne Ibsen for their comments on earlier drafts of this paper. I would also like to thank the participants at the 15th IIRA World Congress in Sydney, where an earlier draft was presented and discussed.

Introduction and background

Decentralisation of collective bargaining has been a common trend in a number of Western economies over the last two or three decades. Two types of decentralisation have been identified. *Organised decentralisation*, which we find in countries where decentralisation has taken place without significant drops in union densities and coverage of collective agreements, and *disorganised decentralisation*, where the process of decentralisation has been accompanied by an erosion of union densities and coverage of collective agreements (Traxler 1995).

Organised decentralisation has had many names. Some have used the concept of *coordinated decentralisation*, whereas others have taken up the term *controlled decentralisation* (Ferner and Hyman 1992, 1998; Schulten 2005; Haipeter 2009). The Danish version of organised decentralisation is often referred to as *centralised decentralisation* (Due *et al.* 1994; Due and Madsen 2006). The Danish case offers a good example of organised decentralisation as union densities and the coverage of collective agreements remain comparatively high. Today, union density in Denmark is close to a level where seven in ten wage earners are organised, and seven in ten are covered by collective agreements (Due and Madsen 2009).

However, the concept of centralised decentralisation goes further than defining the delegation of bargaining competencies from the sector level to the company level within a context of high union densities and high coverage of collective agreements. Among others, the concept should also imply a reproduction of the bargaining power and the trust-based bargaining culture found at sector level to the local level, the so-called reproduction hypothesis (Due *et al.* 1994; Due and Madsen 2006). Therefore, most employees are expected to be represented by shop stewards and most company-level bargaining is expected to be based on trust between shop stewards and local management. It should here be noted that Danish shop stewards (tillidsrepræsentanter) are elected among union members at the workplace only and usually possess extensive bargaining competencies.

Nevertheless, this reproduction hypothesis has never been verified or rejected by any large empirical study at company level. Figures are available on shop steward presence, which in the Danish context is an important precondition to initiate company-level bargaining (Jensen *et al.* 1999; Bild *et al.* 2007)ⁱ. But little is known of the effects of a reproduction of collective bargaining at company level in terms of bargaining activities and outcomes.

This paper sheds light on the consequences of organised decentralisation at company level in Denmark by analysing data on local negotiations. Data is drawn from a large survey on company-level bargaining conducted among managers and shop stewards at 226 randomly selected manufacturing companies in the Danish industrial sector in 2008. Manufacturing is of special interest as it has the longest history of decentralisation within the Danish collective bargaining system dating back to the introduction of local level wage setting in the beginning of the 20th century and still remains the trend setting sector with regards to decentralisation (Due *et al.* 1994; Jensen 2007). Already in 1902 pay became a matter of company-level bargaining within the metal industry in Denmark, and over the past century this tradition of local wage setting spread to the rest of the Danish industrial sector. At present, only minimum wage levels (which make up approximately half of the wages paid) are negotiated at sector level, whereas the actual wage increases are concluded between local bargaining parties. During the 1990s possibilities for company-level bargaining in industry were expanded to the area of working hours, and from 2000, a radical opening clause has allowed managers and shop stewards to deviate from four chapters of the sector level agreement (including the chapters on working hours and further training) provided there is local consent (Navrbjerg *et al.* 2001). Since 2004 local bargaining parties have been able to make use of this option without control from the sector-level parties, who only need to be informed about bargaining outcomes. However, it is

important to underline that this decentralisation process from the very beginning took place within the framework of the general sector-level agreement, which secures each local bargaining party the right to terminate any local agreement in two months notice and fall back on the regulations of the sector-level agreement (Industrial Agreement 2007: Chapter 2, § 8). This de facto right of veto has been an important precondition for unions when accepting such strong delegation of bargaining competencies from the sector level to the company level.

To analyse the impact of decentralisation on local bargaining activities and outcomes other analytical tools than the concepts of organised or centralised decentralisation are required, as they do not address these consequences. Here, the paper draws on the theory of collective bargaining developed by Walton and McKersie through in-depth studies at company level in the US (1965). We will especially make use of two of their concepts in the analysis. Firstly, the concept of *integrative bargaining* which refers to local negotiations that are to the advantage of both sides of industry; and secondly, the concept of *intra-organisational bargaining* which refers to the sub-process of coordinating bargaining objectives on each side of industry (i.e. among the employees or among the managers) and the challenges of this process.

The analysis of data falls in two steps. Firstly, the extent to which shop stewards are present at company level and to what extent local level bargaining relations are characterised by trust will be examined. This part of the analysis aims to test the so-called reproduction hypothesis. Secondly, the effects of shop steward presence and trust-based bargaining relations on bargaining activities and their outcomes will be analysed using the concepts of integrative and intra-organisational bargaining.

The paper is structured in the following way: Following this section, the second gives a brief introduction to the concept of integrative bargaining. The third section introduces the concept of intra-organisational bargaining. The methodology of the survey is described in section four. The results of the survey are then presented and analysed in section five and a discussion of the findings will follow in the concluding section.

Integrative bargaining at company level

The distinction between *integrative* and *distributive* bargaining goes back to Richard E. Walton and Robert B. McKersie's famous work *A Behavioral Theory of Labor Negotiations* (1965)ⁱⁱ. They use these concepts to differentiate between plussum games (win-win situations) and zerosum games (win-lose situations) in collective bargaining at company level. Although inspired by rational choice and game theory, including the classic example of the prisoner's dilemma, their starting point is closer to rational choice institutionalism or actor centered institutionalism rather than pure rational choice (Scharpf 1997: 36, 116; Campbell 2004: 10). In their world, employers make *strategic choices* or initiate *strategic negotiations* to which unions respond (Kochan *et al.* 1984; Walton *et al.* 1994). By talking about strategic choices they underline that there is always a certain scope of choice within any industrial relations system, but they also reflect that only a limited number of choices are strategically feasible due to different contexts such as sectors, markets and bargaining cultures. For instance, in companies characterised by integrative bargaining, the strategic choice of management will often be to negotiate bargaining outcomes that are an advantage to both sides of industry, as this will help preserve the trust-based bargaining relations and be an investment in future bargaining outcomes. By contrast, in companies characterised by distributive bargaining, the strategic choice of management will typically be to secure a maximum gain for the company here and now as there often is less trust to preserve.

Although the concepts of integrative and distributive bargaining hypothesise a correspondence between the bargaining culture (the level of trust between the bargaining parties) and the bargaining outcome (win-win or win-lose), they also underline that there is no automatic connection between trust-based bargaining relations and win-win bargaining outcomes. New strategic choices can change one or both of these

dimensions and the interaction between them. As mentioned earlier, little is known whether there is such correspondence between bargaining cultures and bargaining activities and outcomes at company level in the Danish industrial sector. This goes both for the *depth* of collective bargaining, i.e. the active participation by shop stewards in negotiating and implementing collective agreements, as well as the *scope* of collective bargaining, i.e. whether managers and shop stewards conclude a number of different types of agreements (Clegg 1976: 8-9).

Nevertheless, both the depth and scope of company-level bargaining not only depends on the level of trust between the local bargaining parties but also on the level of resources available for bargaining activities. Studies have shown that one in two Danish shop stewards do not have enough time for representative work, and that on average only one in ten shop stewards has agreed with management that a number of their weekly working hours are reserved for representative work (Jensen *et al.* 1999: 69-70, 136). This suggests that many shop stewards have limited time for negotiations with management, including preparation and implementation processes.

Intra-organisational bargaining and local asymmetries of power

When the right to conclude agreements is delegated from the sector level to the company level as part of a decentralisation process, this means that collective bargaining can take place within a context of a larger asymmetry of power than before. From a company level perspective, a fundamental asymmetry of power between employers and employees can be observed due to management's ownership and the managerial prerogative. This is why employees have an interest in joining unions that can conclude agreements on their behalf. Employers (to varying degrees) also have an interest in joining employers' organisations and participate in multi-employer bargaining, as this can increase their control over wages and give access to no-strike agreements (Clegg 1976: 5; Sisson 1987: 11-13, 191; Due and Madsen 1996: 834f). The institutionalisation of a collective bargaining system with multi-employer bargaining supplies the employees with an equal bargaining power as the employers. However, to obtain this power balance at sector level employees have to sacrifice some power at company level. Among others the no-strike agreements limit their opportunity to oppose managerial dispositions between negotiations of the sector-level agreements. Furthermore, management possesses a right to hire and fire, which cannot be questioned by the shop stewards except in a few exceptional cases. This is why a number of rules in the sector-level agreement for the Danish industrial sector protect shop stewards against being fired.

However, these are not the only significant asymmetries of power at company level. The character of the bargaining process on the side of the employees can have crucial implications for the bargaining power of the shop stewards during negotiations with management.

Managers and shop stewards are, like negotiators at sector/national level, to be considered *collective actors*, who make collective choices in close interaction with the members of the organisations they represent (Walton and McKersie 1965: 3, 281f; Rubin and Brown 1975: 43). During negotiations, the bargaining parties not only have to come to agreement with each other but also with those they represent. Walton and McKersie characterises this sub process as *intra-organisational bargaining* (Walton and McKersie 1965: 281). The challenge of this process is that we often find a lack of internal consensus within organisations. Each negotiator represents an organisation with members of different needs, interests and preferences. Reaching consensus among a majority of these members is an important part of the job when concluding collective agreements. However, when we look at the company level, this process is often more demanding for unions than for management. A chief negotiator on the union side will often represent more than one union, whereas a chief negotiator on the management side (unless we talk about very large enterprises) typically only represents one company. This is especially true for the Danish industrial sector, where there are numerous unions, whilst the number of very large companies is limited.

Intra-organisational bargaining is therefore potentially more challenging for shop stewards than for managers within this sector.

Rubin and Brown have underlined that chief negotiators in all types of bargaining depend on support from their constituencies to establish accountable negotiating mandates (Rubin and Brown 1975: 43). In the process of achieving consensus among the constituencies the chief negotiators face the potential problems of role conflicts as it can be difficult to meet and combine the expectations directed to them. Within the field of collective bargaining chief negotiators are challenged by the fact that employees (and in some cases managers) might stop supporting their negotiators if bargaining outcomes are non-satisfactory. Walton and McKersie identify two types of role conflicts in relation to this challenge. The first type is *boundary conflicts*, which arise when it is difficult, if not impossible, for a negotiator to achieve consensus within his/her organisation that corresponds with what can be concluded at the bargaining table (Walton and McKersie 1965: 283f). This type of conflict reflects that chief negotiators essentially have to manage a position, where two different sets of expectations are to be joined. The situation resembles what Robert Putnam has characterised as a two-level game (Putnam 1988: 433). Negotiators not only have to aim for results that his/her counterpart can accept. They also have to reach an agreement that is acceptable to his/her constituencies.

The second type of conflicts is *factional conflicts* or so-called *internal conflicts*, as they relate to the chief negotiators own organisations (Walton and McKersie 1965: 288-289). They can develop completely apart from the position of the opponent; but, do not necessarily have to do so. The most serious internal conflicts are caused by disagreements over the purpose of the negotiations. These conflicts can be related to either *vertical differentiation* or *horizontal differentiation* within organisations (ibid. 289-293). Vertical differences relate to the fact that managers as well as employees usually work in hierarchies that can be more or less explicit and formal. Varying positions in these hierarchies are related to different interests and preferences. Chief negotiators on either side might therefore think differently than their constituents on the shop floor. Horizontal differences relate to heterogeneities between different groups of managers or different groups of workers. The horizontal distances are greatest where the bargaining team represents different entities on either one or both sides of industry. This is, for instance, the case if the bargaining team includes more than one union or, in the case of large enterprises, more than one company (ibid. 291).

A key instrument for chief negotiators in minimizing such uncertainties is the formation of *coalitions* (Rubin and Brown 1975: 64f). This is also an attractive solution to unions and/or companies. If they join forces at least for short periods of time, they can to varying degrees ensure that their particular interests are brought to the negotiating table. However, even when coalitions are established, it remains a major challenge for the chief negotiators to manage and interpret them. In-depth case studies of sector-level bargaining in the Danish public sector suggest, that conflicts of interest inside coalitions can have larger impacts on final bargaining outcomes than conflicts of interest across the bargaining table (Due and Madsen 1996: 972f). We shall, throughout the paper, refer to this as the *coalition problem*. However, little is known about the distribution of coalition problems at company level in both Danish and international contexts. Most of the recent studies on company-level bargaining have been concerned with analysing bargaining outcomes and/or the bargaining culture between the two sides of industry (Walton *et al.* 1994; Seifert and Massa-Wirth 2005; Haipeter and Lehdorff 2005; Haipeter 2009). Other studies have mainly focused on the presence of works councils and their effects, as union densities and the coverage of works councils have been declining in many countries (Rogers and Streek 1995; Frege 2002; Gumbrell-McCormick and Hyman 2006; Charlwood and Terry 2007; Heywood and Jirjahn 2009; Nergaard *et al.* 2009; Rigby *et al.* 2009). Nevertheless, considering Walton and McKersie's work on intra-organisational bargaining, it seems likely that coalition problems also play a significant role in company-level bargaining, especially on the union side.

Even when the bargaining team includes only one company and only one union, there are, however, still important horizontal distances that can give rise to internal conflicts, especially among employees. Diversity of interests can also be identified within each union (or company), as members of the same organisation can have different preferences. On the employee side, variations in demographics such as education, skills, sex, age, seniority and family status influence employees' preferences for different agreements and arrangements. On the management side interests can vary between line and staff personnel (Walton and McKersie 1965: 291-292). For instance, Danish case studies have revealed that company-level agreements on flexible working hours can benefit some workers, whilst other workers in the same company covered by the same agreement acquire no benefit at all (Navrbjerg 1999: 59f). Depending on demographics, some employees can be potential winners and others potential losers of a company-level agreement. This means that their attitude towards an agreement can differ tremendously. Generally speaking, the question is, whether a shop steward from a specific union represents all his/her members at the workplace during negotiations. We will refer to this problem as the *representation problem*.

After this introduction and discussion of the main concepts to be used in the analysis, we will now turn to a presentation of how data was collected, i.e. the methods of the survey, and the strategy of analysis.

Methods and data

The analysis draws on the results from a comprehensive web-based survey conducted among managers and shop stewards at manufacturing companies in the Danish industrial sector in January 2008. Companies were selected randomly from a complete list of manufacturing companies covered by the sector-level agreement and with 20 or more employees supplied by The Confederation of Danish Industry (DI), the employers' organisation in the Danish industrial sector. As shop steward presence is an important precondition to conclude agreements at company level, it was necessary to identify the companies with one or more shop stewards present. This step included a supplementary phone survey of 546 companies, which also enabled us to identify the manager and the shop steward negotiating agreements for the largest group of employees in the production (i.e. the chief negotiators), and to which we wanted to direct the survey.

Two separate versions of the questionnaire were developed, one for the managers and one for the shop stewards. However, to allow a comparison of their answers, as many questions as possible were kept identical. The design of the questionnaires was informed by five case studies in the Danish industrial sector performed in 2005 and was tested in a pilot survey at a large and a small company before use. The questionnaires included questions on 1) existing agreements on pay, working hours and further training, 2) why collective bargaining had been initiated and by whom, 3) the level of trust towards the immediate bargaining party, 4) difficulties during negotiations and 5) effects of the agreements. Certain background questions on company characteristics (size, ownership etc.) and on the characteristics of managers and shop stewards (age, tenure, title) were also included.

A total of 145 managers and 151 shop stewards from 226 different companies with shop steward presence completed the questionnaire (which was sent to 369 managers and 288 shop stewards, respectively). The response rate was somewhat lower on the management side (39.3 percent) than on the employee side (52.4 percent). We therefore analysed the sample to see if there were any significant differences in the composition of the non-responding group and the responding group with regards to sex, company size or geography. Fortunately, we did not find any statistically significant differences to indicate that respondents were not in general representative and raise questions as to the reliability of the sample. This was also true for the shop stewards. Apart from examining all frequency tables, data was analysed using two strategies; 1) A comparison of answers from managers and shop stewards where relevant. 2) A multiple correspondence analysis of the distribution of different forms agreements across companies. The first general analysis of the survey results showed that managers and shop stewards often gave relatively

similar answers to the same questions. Both managers and shop stewards participating in the survey had been actively involved in company-level bargaining for an average of eight years. Therefore they often had a solid experience on the subjects we were asking about.

Results

Testing the reproduction hypothesis – shop steward presence and trust-based bargaining relations

77 percent of the companies participating in the phone survey reported one or more shop stewards present, which confirms the hypothesis that the bargaining power of the sector level parties is reproduced at company level in the Danish industrial sector. However, the distribution of shop stewards varied significantly among larger and smaller companies. 93 percent among the large companies reported shop stewards present, whereas 60 percent of the small companies did the same (see Table 1).

Table 1: Shop stewards vs. company size (percent).

	One or more shop stewards	No shop stewards
Small (20-49 employees)	60	40
Medium-sized (50-99 employees)	80	20
Large (100- employees)	93	7

$\chi^2 = 0.641$, $p=0.000$

It is the distribution among the small companies that attracts most interest in a comparative context. It is not unusual to find many employee representatives in larger companies in other countries. This is, for instance, the case with regards to German works councils (Betriebsräte), although their bargaining competencies are significantly less compared to Danish shop stewards. However, it is rare to find 60 percent coverage among small companies. In Germany, less than 3 percent of small companies have a works council, although both German works councils and Danish shop stewards can be elected in companies with five employees or more (Stettes 2007)ⁱⁱⁱ. Furthermore, recent surveys from the UK show that only 13 percent of all British workplaces with 10 or more employees have on-site representatives of recognised unions. These workplaces employ 39 percent of all employees indicating that coverage in the UK is primarily found among the largest of companies (Kersley *et al.* 2005: 13-14). The coverage of shop stewards found among small companies in this study seems to be comparatively high and to enable a comparison of company-level bargaining across smaller and larger companies, which can be difficult in other cases.

The survey also revealed that most managers and shop stewards expressed high levels of trust towards their immediate bargaining party. More precisely, three out of four managers and shop stewards reported high or very high levels of trust (see Table 2). This result was independent of company size. Less than 10 percent reported low levels of trust. In general, bargaining cultures in the majority of companies can therefore be characterised as based on trust. Indeed this supports the second half of the hypothesis that the bargaining power and the bargaining culture of the sector level are reproduced at company level in the Danish collective bargaining system. It is difficult to estimate whether this bargaining culture resembles the situation in other countries or not. We do have access to surveys on trust between local bargaining parties from the UK and Germany (Kersley *et al.* 2005; Nienhüser and Hossfeld 2010). However, the

phrasing of the questions on trust as well as the analysis of trust levels (index variables vs. single variables) differs too much to allow for a direct comparison.

Table 2: Level of trust between local bargaining parties (percent)

	Managers	Shop stewards
Very high	23	16
High	56	59
Medium	18	17
Low	3	3
Very low	0	5

To which extent do we find integrative bargaining at company level? – depth, scope and effects

It is one thing to have a shop steward; another to exploit this bargaining power and initiate bargaining activities at company level. An important question was therefore whether collective agreements had been concluded at the sampled companies. The survey displayed a very high bargaining activity among managers and shop stewards. In fact, 97 percent of the managers and 98 percent of the shop stewards had concluded one or more collective agreements, indicating a great *depth* in collective bargaining within the Danish industrial sector. Two out of three companies had concluded agreements on both pay and working hours. One in seven companies (especially the larger ones) had concluded agreements on pay, working hours and further training. However, there were no signs that this extensive bargaining activity at local level implied a decoupling from the organisations. Nine out of ten managers reported making use of their employers' organisation and nine out of ten shop stewards reported establishing contact with their local union office during negotiations.

Whereas similar *depth* was found, the *scope* of collective bargaining would vary from company to company. A couple of the participating companies had negotiated up to 15 different forms of agreements, whilst others had negotiated only one or two types of agreements. It is worth noting that these figures are to be considered minimum figures, as they only count the number of different forms of agreements. More than one agreement can be concluded on the same topic at the same company, and the variation in the number of agreements might therefore be even larger than reflected in the survey.

Furthermore, some types of agreements were more popular than others. The most common agreement concerned annual wage increases, which was found in three out of four companies (see Table 3). Agreements on individual supplements were found in nearly one out of two companies, making this type of agreement the second most popular. These findings were somewhat unsurprising as they confirm the long tradition of decentralised wage setting in the Danish industrial sector. Agreements on team bonus and fringe benefits were found in three out of ten companies respectively, whereas agreements on piece work were found in less than 10 percent of the companies.

With regards to working hours, the two most common agreements were agreements on flexitime and agreements on shift work, which were found in approximately one in two companies and one in three companies, respectively (see Table 3). The distribution of flexitime agreements was somewhat surprising compared to the distribution of agreements on annualised hours, which were only found in approximately one fifth of companies. This suggests that managers and shop stewards prefer agreements on flexitime (which typically include an increase in employees' control of their own working hours) to agreements on annualised hours (where managerial control of working hours often plays a larger role). Further, an

interesting development can be found with regards to new forms of shift work. Agreements on traditional shift work are now increasingly supplemented (or maybe replaced) by agreements on staggered hours, compressed work weeks and 12-hour shifts. Case studies have shown that the latter two can be attractive alternatives for some groups of workers who prefer more days off in a row for hobbies, summer house visits etc. (Ilsøe 2006). Increased weekly hours are only found in one out of ten companies.

Table 3: The distribution of different types of company-level agreements (percent of companies*).

Annual wage increases	77
Individual supplements	43
Flexitime	43
Shift work	35
Team bonus	29
Staggered hours	28
Fringe benefits	27
Saturday/Sunday work	26
Annualised hours	22
Compressed work weeks	19
12-hour shifts	18
Further training	14
Part time	11
Phased retirement	10
Increased weekly hours	10
Framework agreement (individual bargaining of working hours)	8
Supplementary pension contributions	7
Piece work	6

*Analysis based on answers from managers

The distribution of the different types of company-level agreements in the Danish industrial sector shows that to a large extent employees are using the bargaining power of having a shop steward present. Also, they use it to negotiate agreements that include improvements of their pay and working conditions like flexitime, fringe benefits or further training. The content of the agreements concluded is broad and does not only reflect employer wishes but also those of the employees. Further, eight in ten managers and eight in ten shop stewards reported one or more positive effects of their agreements in the survey, whereas less than one in two managers and shop stewards experienced any negative effects. Positive effects included employer-oriented effects like increased motivation among workers, higher productivity and easier recruitment as well as employee-oriented effects like a better work-life balance, improved social inclusion and more training activities. In general, the agreements seem to benefit both sides of industry indicating that most company-level agreements reflect a situation of *integrative bargaining*.

However, as mentioned earlier, the number of issues included in company-level bargaining tended to vary between companies. This variation was mainly to explain by company size. One in two large companies had concluded six or more agreements, whereas this was only the case for one in five among the SMEs^{iv}. Further, certain forms of agreements like agreements on further training were more frequently found in larger companies than in smaller companies. These differences might reflect a larger need to formalise local arrangements and activities in large companies with many employees. However, it could also be down to the fact that more resources for negotiations are present on both sides of industry in large

companies. Data from the survey showed that managers in large enterprises were typically backed up by HRM divisions, whereas this was not the case for managers in SMEs. Further, shop stewards in large enterprises were, according to the survey results, often allowed to devote all their working time to collective bargaining and related activities, while their colleagues in SMEs had to do this work in their spare time.

Nevertheless, company size did not turn out to be the only important variable when it came to the distribution of agreements across companies. Certain types of agreements also seemed to depend on the level of trust between the two local bargaining parties. Especially agreements on flexitime, fringe benefits and further training, which are typically attractive among employees, were primarily signed in companies with very high levels of trust. According to the survey results, these issues also shared the common trend that often it would be the shop stewards, not the managers, who initiated negotiations on them. However, the interest of employees did not seem to be a sufficient precondition for shop stewards to initiate collective bargaining. High levels of trust between the local level bargaining parties also needed to be established. Perhaps, not only shop stewards need to trust managers before taking bargaining initiatives but also managers need to trust the shop stewards before accepting bargaining initiatives from the other side of the table.

The differences in the distribution of agreements across company size and across different levels of trust are illustrated by the map of agreements below (see Figure 1). The map reflects a Multiple Correspondence Analysis (MCA) of the presence of different forms of company-level agreements based on answers from the shop stewards. It is created of binary variables on whether an agreement is found or not. Full dots represent the presence of agreements whereas empty dots represent the absence of agreements. Company size and the level of trust between the local level bargaining parties are applied as supplementary variables. The map illustrates how company size affects the number of agreements (Axis 1). The presence of all types of agreements (except for piece work agreements) is found to the right side of the map and is, thereby, associated with large company size. This means that large companies conclude more agreements than SMEs. However, some types of agreements are facilitated by another factor as well, the level of trust between the local bargaining parties (Axis 2). The presence of agreements like flexitime, fringe benefits and further training is located in the upper right side of the map, which means that these agreements are not only associated with large company size but also very high levels of trust between the local bargaining parties. Although company size explains most of the variation in the distribution of agreements (82 percent) and trust only delivers a minor contribution (8 percent), the presence of these types of agreements cannot be explained by company size alone. Agreements found in the lower right side of the map like 12-hour shifts, compressed work weeks and staggered hours are associated with large company size and lower levels of trust.

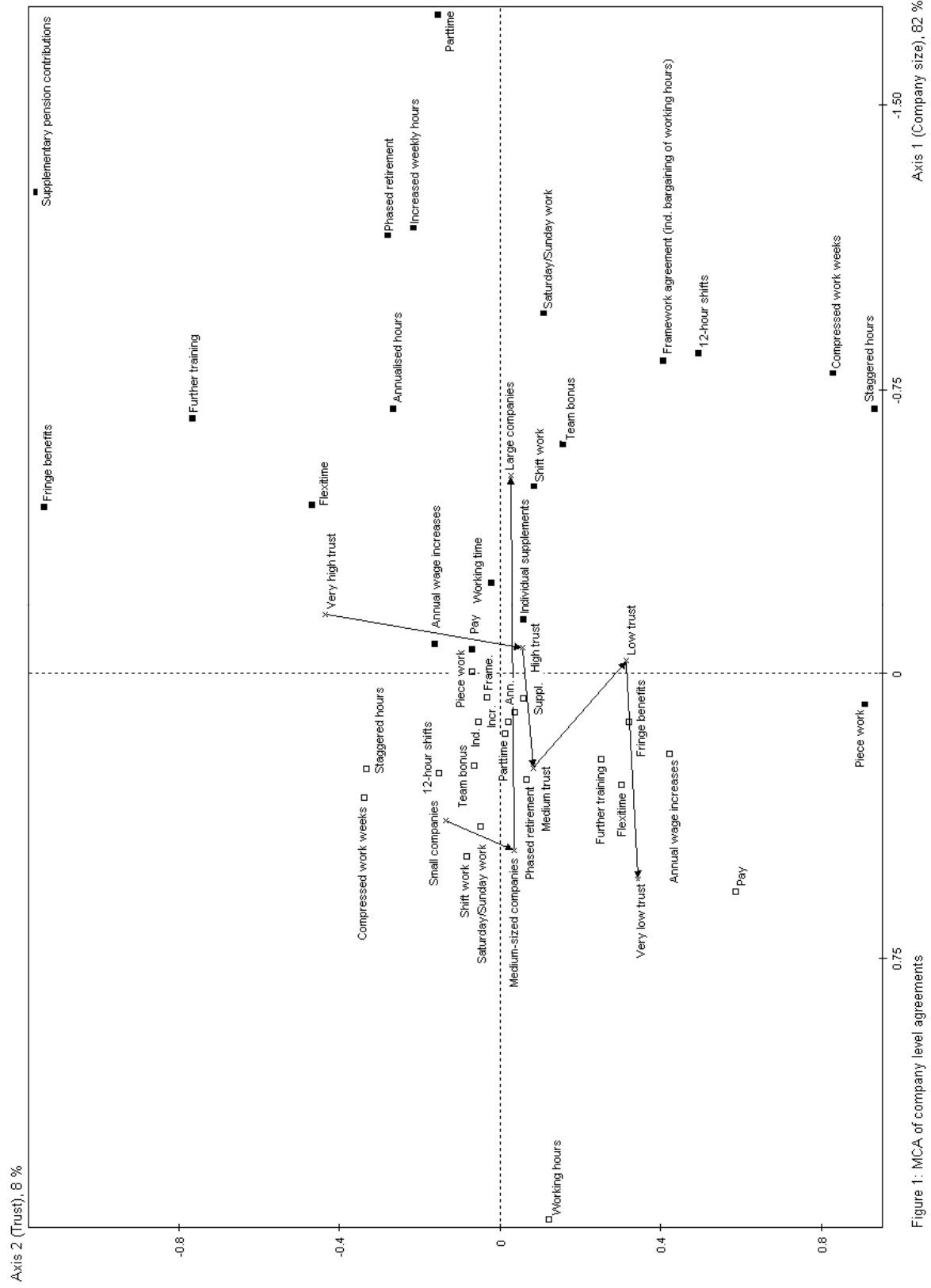


Figure 1: MCA of company level agreements

Difficulties in the negotiation process and problems of intra-organisational bargaining

Behind the figures of high-trust bargaining relations, high bargaining activity and win-win bargaining outcomes, the survey documented another important variation when negotiating company-level agreements. Analysing the answers on the proceedings of the bargaining process, a number of agreements came out as more difficult to conclude than others. The top five of the most difficult negotiations both included agreements that were unpopular among employees such as increased weekly hours and agreements that most employees want like flexitime (see Table 4). The experience of difficulties in the negotiating process did therefore not reflect the popularity of the agreements among employees. This was true according to both managers and shop stewards.

Instead, a close correspondence appeared to exist between the difficulties in the negotiating process and the difficulties on the side of the shop stewards in terms of gaining support from colleagues (see Table 5). This part of the negotiating process, which can also be characterised as *intra-organisational bargaining*, imposed an often larger challenge for shop stewards than managers. Managers almost always reported full support from other managers during negotiations. This could be explained by the fact that many of them worked as CEOs or as production managers, and therefore were negotiating from the very top of the managerial hierarchy of their company. Another reason could be that shop stewards had to deal with *internal conflicts* among employees to a larger extent than managers.

Table 4: Has it been difficult to reach agreement with management during the negotiations? (percent of shop stewards*).

	Yes	No	Don't know
Individual supplements	42	43	15
Increased weekly hours	33	67	0
Team bonus	32	64	4
Annualised hours	26	74	0
Flexitime	20	67	13

* Shop stewards who have concluded the agreement in question

Table 5: Has it been difficult to get support from the employees during the negotiations? (percent of shop stewards*).

	Yes	No	Don't know
Increased weekly hours	53	47	0
Annualised hours	42	58	0
Individual supplements	40	42	18
Flexitime	21	69	10
Team bonus	20	73	7

*Shop stewards who have concluded the agreement in question

Although managers and shop stewards primarily reported positive effects of their agreements, a few negative effects also came to light. One of them was an increased number of conflicts at the workplace. Especially, two types of agreements were shown to increase the number of conflicts; agreements on flexitime and agreements on individual supplements.

Agreements on flexitime are popular among many employees, as they typically offer them greater autonomy and control of their own working hours and thereby potentially contribute to a better work-life balance. However, one in five shop stewards found it difficult to gain support from the employees during

their negotiations on flexitime. The same figure found it difficult to reach agreement with management on flexitime (see Table 4 and 5). Furthermore, shop stewards with agreements on flexitime would twice as often report more workplace conflicts as shop stewards with other types of agreements on working time. This figure might even be higher, as the data only reflects conflicts in relation to concluded agreements and not in relation to negotiations that never materialised in an agreement.

It seems to be a paradox that agreements on flexitime cause so much trouble for the shop stewards, when most employees seem to have an interest in them. Fortunately, some managers and some shop stewards provided written comments in the survey that could help explain this finding. More than one of them reported jealousy among the employees as a consequence of the negotiations on flexitime. This 'flexitime jealousy' arose from the fact that due to technological or organisational reasons not all employees were covered by the flexitime agreement, and those who were not covered envied those who were. It is therefore easy to understand why some shop stewards found it difficult to gain support from the employees during the negotiations. They had to coordinate interests among a group of employees who would gain access to a highly requested benefit and a group of employees who would not gain access. These findings indicate that it is also possible to identify a *coalition problem* at company level on the side of the shop stewards.

Also negotiations on individual supplements turned out to be problematic for the shop stewards. Nearly one in two shop stewards with agreements on individual supplements reported difficulties when trying to gain employees' support during negotiations. An equal number found that negotiations with management had been difficult (see Table 4 and 5). Furthermore, the data revealed that agreements on individual supplements increased the risk of workplace conflicts by a factor of three compared to other types of agreements on pay. Negotiations on individual supplements appeared therefore to cause shop stewards even more trouble than negotiations on flexitime. Comments by managers and shop stewards suggest, however, that conflicts on individual supplements were due to slightly different reasons than conflicts on flexitime. The general idea behind individual supplements is to reward certain employees for their qualifications and/or performance to motivate all workers for improving their work. However, both managers and shop stewards stated that many employees quite often opposed the way these supplements were distributed. In fact, data from the survey showed that agreements on individual supplements tripled the risk of lower motivation among workers compared to other agreements on pay. In conclusion it must be said that internal conflicts over individual supplements do not seem to be caused by the question of whether or not workers are covered by the agreements. They are more likely caused by the fact that some workers do not feel adequately represented in the way the agreements are implemented. This means that the shop stewards are faced with a *representation problem*.

Conclusion

The empirical findings presented confirm the hypothesis of a reproduction of sector-level bargaining relations at company level in the Danish collective bargaining system. However, the findings also question whether this process will continue in the future.

Shop stewards are highly prevalent and the relationship between the local bargaining parties is characterised by trust in most companies. Therefore the bargaining power and the bargaining culture at company level resemble the situation at sector level. Also, these local bargaining relations seem to facilitate bargaining activities, as almost all companies, including SMEs, have concluded one or more agreements. Company-level bargaining covers both employee-oriented and employer-oriented topics, and the vast majority of managers and shop stewards reported positive effects of their agreements. Most agreements therefore appear to reflect a process of *integrative bargaining*. However, although we find a

similar *depth* of collective bargaining, the *scope* of company-level bargaining seems to vary. Larger companies as well as companies with very high levels of trust between the local bargaining parties were more likely to conclude agreements within a wider range of areas than others. This differentiation on company size most likely reflects different needs of formalising local arrangements; however, it may also reflect different resources for collective bargaining. Furthermore, the shop stewards in particular are faced by significant challenges of *intra-organisational bargaining*, when bargaining activity increases at company level.

Two different challenges or problems can be identified on the side of the shop stewards. Firstly, when the number of collective agreements at a single company increases, this is often followed by more differentiated working conditions at the company and thereby more complex tasks for the shop stewards. They have to create consensus among at least a majority of employees in spite of increasingly different pay levels and working hours and therefore increasingly different interests. Shop stewards are therefore challenged by *coalition problems* that resemble the problems unions are facing when forming coalitions during sector-level bargaining.

Secondly, minorities of employees can be squeezed in the process of concluding or implementing agreements if their demographics deviate from the majority resulting in an increased number of internal conflicts among the employees which need to be mediated and solved. Generally speaking, the increased bargaining activity at company level thus questions whether shop stewards represent all employees covered by company-level agreements. In this way collective bargaining can contribute to *representation problems* at company level.

Both challenges underline the importance of handling diversity among employees when negotiating and implementing collective agreements. The capability of shop stewards to do this seems to be an important precondition for a continuous reproduction of trust-based bargaining relations at company level. It remains an open question whether shop stewards have the same opportunities for handling diversity in smaller companies, where resources for bargaining activities are few, compared to larger companies where greater resources are at hand.

Discussion

Internal conflicts: only a challenge to shop stewards?

Tensions between solidarity and diversity at the workplace are not new, but they have been intensified over the last decades due to changing demographics and new work organisations (Lysgaard 1961; Greene *et al.* 2005; Greene and Kilton 2006). The results of the survey suggest that decentralisation of collective bargaining has contributed to this intensification. However, the survey also indicates that this development is first and foremost a challenge to shop stewards who are faced with the task of mediating disagreements in an increasingly diversified workforce. Managers seem to experience less trouble as they often negotiate from the very top of the managerial hierarchy. Other studies have found a similar pattern. Workplace conflicts are often directed at shop stewards. In many cases this makes good sense, since shop stewards can be very successful in solving conflicts (Croucher and Singe 2004; Antcliff and Saundry 2009). Nevertheless, internal conflicts among employees might question the negotiating mandate of the shop steward and have negative implications for the bargaining process between managers and shop stewards and their trust-based bargaining relations. In other words, *internal conflicts* can be followed by what Walton and McKersie have characterised as *boundary conflicts*. If management cannot trust the shop stewards to represent the majority of employees and guarantee an implementation of agreements in

practice, they will be more reluctant to conclude agreements. In this way, internal conflicts can also be a barrier for the participation of managers in negotiation processes.

Internal conflicts in less organised settings

Internal conflicts form an important challenge for shop stewards in Danish industry, as the collective bargaining system is heavily decentralised, and local bargaining activity is high. It can, however, be an even more crucial challenge for shop stewards/employee representatives in less organised sectors, as their mandate in company-level bargaining and among employees is likely to be more fragile. The survey presented in this article reflects the situation in one of the best organised sectors on the private labour market in Denmark, and challenges are therefore probably larger in other sectors. Additionally, even though the sample presents a random selection of companies meeting the selection criteria, the limited size (151 shop stewards and 145 managers) calls for some caution when generalising results to the rest of the Danish labour market.

Challenges of internal conflicts might also be more demanding in less organised countries. In Germany, for instance, union densities have been dropping to less than 20 percent over the last decades, and works councils (Betriebsräte) are only present at 11 percent of companies with five employees or more (Stettes 2007). These works councils are furthermore challenged by the fact that they are operating in a dual-channel system of representation. The German system of works councils is – unlike the Danish system of shop stewards – a statutorily determined local representation system. Works councils are elected by, and from, the employees and are formally separated from the trade unions (Müller-Jentsch 2003). When collective bargaining is decentralised it therefore means that bargaining competencies move from one system of representation to another. German unions have been reluctant to accept a delegation of bargaining competencies from the sector level to the local level, and they find it difficult to deliver the support needed by works councils due to declining membership and resources (ibid.). Many works councils are therefore critical towards the process of decentralisation. In a survey among members of German works councils at workplaces with 20 employees or more, eight in ten reported that decentralisation has strengthened the position of the employers to assert their interest (Dribbusch 2005). This indicates that works councils might not experience a bargaining power similar to that of the management. Furthermore, in line with the empirical findings of this paper, three in four of the works councils asked reported that decentralisation leads to a differentiation of working conditions among employees covered by the same collective agreement (ibid.). If this means that members of German works councils experience some of the same challenges of intra-organisational bargaining as Danish shop stewards this can destabilise an already vulnerable bargaining position further.

The importance of high union densities and presence of shop stewards

The comparison with Germany underlines the importance of both high union densities and a high prevalence of shop stewards in the Danish case. Although Danish shop stewards are faced with significant challenges in relation to their colleagues, decentralisation of bargaining competencies does not seem to make employers gain influence at the cost of the employees and their representatives. The presence of shop stewards forms a local power base for unions that make them feel confident in accepting extensive delegation of bargaining competencies to the company level. Furthermore, decentralisation still takes place within the framework of sector-level agreements that allow either local party, managers or shop stewards, to terminate any company level agreements with a two months notice. This means that Danish shop stewards have a de facto right of veto that gives them a breaking mechanism in relation to local employers.

The Danish case shows how a high prevalence of shop stewards with a right to veto agreements can support the development of trust-based bargaining relations at company level. One might have expected

that the number of ‘wildcat’ strikes in Danish manufacturing would have increased as a consequence of decentralisation of collective bargaining within the framework of a no-strike agreement at sector level. However, the contrary has been the case. Both the number of strikes and ‘wildcat’ strikes in the industrial sector has decreased since the early 1990s, where the possibilities for local-level bargaining at local level started to expand (DA 2009). It has been argued that the extensive decentralisation in Danish manufacturing accounts for the larger number of wildcat strikes than in for instance Swedish and Norwegian manufacturing, where the decentralisation process has been less radical (Stokke and Thornqvist 2001; Stokke 2008). The results of this survey indicate that there is no such automatic relation between decentralisation and wildcat strikes. Danish shop stewards seem to form an important local power base for employees and their unions that allow trust-based bargaining relations to develop in line with decentralisation and actually make wildcat strikes less necessary.

References

- Antcliff, V. and Saundry, R. (2009). ‘Accompaniment, Workplace Representation and Disciplinary Outcomes in British Workplaces – Just a Formality?’. *British Journal of Industrial Relations*, 47: 100-121.
- Bild, T., Caraker, E., Jørgensen, H., Lassen, M., Møberg, R.J. and Scheuer S. (2007). *Arbejdsliv og politik. Signalement af lønmodtagere i det 21. århundrede*. Frederiksberg: Nyt fra samfundsvidenskaberne.
- Campbell, J. L. (2004). *Institutional Change and Globalization*. Princeton: Princeton University Press.
- Charlwood, A. and Terry, M. (2007). ‘21st-century models of employee representation: structures, processes and outcomes’. *Industrial Relations Journal*, 38: 320-337.
- Clegg, H. A. (1976). *Trade Unionism under Collective Bargaining. A theory based on comparisons of six countries*. Oxford: Blackwell.
- Croucher, R. and Singe, I. (2004). ‘Co-determination and working time accounts in the German finance industry’. *Industrial Relations Journal*, 35: 153-168.
- DA (2009). *KonfliktStatistik 3. kvartal 2009*. Copenhagen: The Confederation of Danish Employers (DA).
- Dribbusch, H. (2005). *New survey findings on works councils and decentralisation of bargaining*. Dublin: Eurofound.
- Due, J. and Madsen J.S. (1996). *Forligsmagerne*. Copenhagen: DJØF publishing.
- Due, J. and Madsen, J.S. (2006). *Fra storkonflikt til barselsfond. Den danske model under afvikling eller fornyelse*. Copenhagen: DJØF Publishing.
- Due, J. and Madsen, J.S. (2009). ‘Fra dobbeltmedlemskab til dobbelt fravalg’. *FAOS information nr. 38*. Copenhagen: Copenhagen University, pp. 1-4.

- Due, J., Madsen, J.S., Jensen, C.S. and Petersen, L.K. (1994). *The survival of the Danish Model. A historical sociological analysis of the Danish system of collective bargaining*. Copenhagen: DJØF Publishing.
- Ferner, A. and Hyman, R. (eds.) (1992). *Industrial Relations in the New Europe*. Oxford: Blackwell.
- Ferner, A. and Hyman, R. (eds.) (1998). *Changing Industrial Relations in Europe*. Oxford: Blackwell.
- Frege, C.M. (2002). 'A Critical Assessment of the Theoretical and Empirical Research on German Works Councils'. *British Journal of Industrial Relations*, 40: 221-248.
- Greene, A., Kilton, G. and Wrench, J. (2005). 'Trade Union Perspectives on Diversity Management: A Comparison of the UK and Denmark'. *European Journal of Industrial Relations*, 11: 179-196.
- Greene, A. and Kilton, G. (2006). 'Trade Unions and Equality and Diversity'. In Konrad, A. M., Prasad P. and Pringle, J. K. (eds.), *Handbook of Workplace Diversity*. London: Sage, pp. 489-510.
- Gumbrell-McCormick, R. and Hyman, R. (2006). 'Embedded collectivism? Workplace representation in France and Germany'. *Industrial Relations Journal*, 37: 473-491.
- Haipeter, T. and Lehnendorff, S. (2005). 'Decentralised bargaining of working hours in the German automotive industry'. *Industrial Relations Journal*, 36: 140-156.
- Haipeter, T. (2009). 'Kontrollierte Dezentralisierung? Abweichende Tarifvereinbarungen in der Metall- und Elektroindustrie'. *Industrielle Beziehungen*, 16: 232-253.
- Heywood, J. S. and Jirjahn, U. (2009). 'Family-Friendly Practices and Worker Representation in Germany'. In *Industrial Relations*, 48: 121-145.
- Ilsøe, A. (2006). *Flexicurity på virksomheden*. FAOS research paper no. 69. Copenhagen: Copenhagen University.
- Jensen, C. S., Navrbjerg, S. E., Lubanski, N., Due, J. and Madsen, J. S. (1999). *Tillidsrepræsentanten i tal*. Copenhagen: LO.
- Jensen, C. S. (2007). *Arbejdsmarkedsrelationer i Danmark : fra konfliktbaseret konsensus til konsensusbaseret konflikt*. Copenhagen: DJØF publishing.
- Kersley, B., Alpin, C., Forth, J., Bryson, A., Bewley, H., Dix, G., and Oxenbridge, S. (2005). *Inside the Workplace: First Findings from the 2004 Workplace Employment Relations Survey*. London: Routledge.

- Kochan, T. A., McKersie, R. B. and Cappelli, P. (1984). 'Strategic Choice and Industrial Relations Theory'. *Industrial Relations*, 23: 16-39.
- Lysgaard, S. (1961). *Arbejderkollektivet*. Oslo: Universitetsforlaget.
- Müller-Jentsch, W. (2003). 'Re-assessing CO-determination'. In: Müller-Jentsch, W. and Weitbrecht, H. (eds.), *The Changing Contours of German Industrial Relations*. München: Rainer Hampp Verlag, pp. 39-56.
- Navrbjerg, S. E. (1999). *Nye arbejdsorganiseringer, fleksibilitet og decentralisering*. Copenhagen: Copenhagen University.
- Navrbjerg, S. E., Nordestgaard, M. and Due, J. (2001). *Fremtidens overenskomster i decentraliseringens tegn*. Copenhagen: CO-industri.
- Nergaard, K., Dølvik, J. E., Marginson, P., Diaz, J. A. and Bechter, B. (2009). 'Engaging with Variable Pay: A Comparative Study of the Metal Industry'. *European Journal of Industrial Relations*, 15: 125-146.
- Nienhüser, W. and Hossfeld, H. (2010). 'Vertrauen und Verbetriebligungsneigung von Managern und Betriebsräten. Ergebnisse einer empirischen Erhebung'. *Sozialer Fortschritt*, 8: 219-225.
- Putnam, R. D. (1988). 'Diplomacy and Domestic Politics: The Logic of Two-Level Games'. *International Organization*, 42: 427-460.
- Rigby, M., Contrepois, S. and Smith, F. O. (2009). 'The Establishment of Enterprise Works Councils: Process and Problems'. *European Journal of Industrial Relations*, 15: 71-90.
- Rogers, J. and Streek, W. (eds.) (1995). *Works Councils. Consultation, Representation and Cooperation in Industrial Relations*. Chicago: University of Chicago Press.
- Rubin, J. Z. and Brown, B. R. (1975). *The Social Psychology of Bargaining and Negotiation*. New York: Academic Press.
- Scharpf, F. W. (1997). *Games Real Actors Play. Actor-Centered Institutionalism in Policy Research*. Boulder: Westview Press.
- Schulten, T. (2005). *Changes in national collective bargaining systems since 1990 – the German Case*. Dublin: Eurofound.
- Seifert, H. and Massa-Wirth H. (2005). 'Pacts for employment and competitiveness in Germany'. *Industrial Relations Journal*, 36: 217-240.

- Stettes, O. (2007). *Impact of codetermination at company level*. Dublin: Eurofound.
- Stokke, T. A. and Thornqvist, C. (2001). 'Strikes and Collective Bargaining in the Nordic Countries'. *European Journal of Industrial Relations*, 7: 245-267.
- Stokke, T. A. (2008). 'The Anatomy of Two-tier Bargaining Models'. *European Journal of Industrial Relations*, 14: 7-24.
- Traxler, F. (1995). 'Farewell to Labour Market Associations? Organized versus Disorganized Decentralization as a Map for Industrial Relations'. In Crouch, C. and Traxler, F. (eds.), *Organized Industrial Relations in Europe: What Future?*. Aldershot: Avebury, pp. 3-19.
- Walton, R.E. and McKersie, R.B. (1965). *A Behavioral Theory of Labor Negotiations – An Analysis of a Social Interaction System*. New York: McGraw-Hill.
- Walton, R.E., Cutcher-Gerschenfeld, J.E. and McKersie, R.B. (1994). *Strategic Negotiations – A Theory of Change in Labor-Management Relations*. Boston, Massachusetts: Harvard Business School Press.

Notes

ⁱ Some sector-level agreements in Denmark allow alternative versions of company-level bargaining to collective bargaining between managers and shop stewards. However, even within these sectors, shop steward presence remains the most important precondition to conclude company-level agreements in practice.

ⁱⁱ In more recent publications they use the concepts of *cooperation* and *arm's-length accommodation*. Furthermore, *avoidance* (no negotiation) is added as a third option (Walton *et al.* 1994).

ⁱⁱⁱ The figures for Germany are, unlike the Danish figures, from a study that included both companies covered by collective agreements and companies not covered by collective agreements, and where companies with 5-50 employees were defined as small. However, this can only to a limited extent contribute to the explanation of the difference in the coverage of Danish shop stewards and German works councils.

^{iv} In the following analysis we differentiate between small (20-49 employees), medium-sized (50-149 employees) and large (150- employees) companies. This differs slightly from the definition of company sizes used in the analysis of the results of the phone survey, where companies are calculated as large beginning at 100 employees or more (see Table 1).